

MINUTES OF THE JANUARY 11, 2010 MEETING OF THE ENERGY COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Energy Committee (the “Committee”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held its regularly scheduled meeting via teleconference at 1:30 p.m. on January 11, 2010 originating from the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

Members participating via telephone:

1. Dr. Roger D. Herrin, Chair
2. Michael W. Goetz
3. Bradley A. Zeller
4. Ronald E. DeNard

Members absent:

1. James J. Fuentes

Guests Attending:

- Mark Angelini, SB Friedman
Teresa Ford, SB Friedman

Staff Members Present:

- Chris Meister, Executive Director
Pam Lenane, Vice President and Acting General Counsel
Kara Boulahanis, Project Coordinator & Asst. Secretary
Steve Trout, Vice President
Marnin Lebovits, Senior Funding Manager
Bill Claus, Funding Manager
Kim Du'Prey, Senior Funding Manager

Call to Order

Committee Chair Dr. Herrin called the meeting to order at 1:37 p.m. with the above members present.

Approval of Minutes

The minutes from the Energy Committee meetings held on November 9, 2009 and December 7, 2009 were reviewed. It was agreed to table the minutes from the December 7, 2009 meeting for the February meeting of the Energy Committee. Dr. Herrin motioned for approval of the November 9, 2009 Energy Committee minutes and Mr. Zeller seconded that motion. The minutes of the November 9, 2009 Energy Committee meeting were unanimously approved by the Committee.

Projects

Agenda Item III(a): Financial Institutions Partnership Program Delegated Lender Program

Director Meister informed the Committee that the top priority of the energy staff was the U.S. Department of Energy (DOE) application to the Financial Institute Partnership Program (FIPP) for Development Finance Organizations (DFOs) due on Friday, January 15, 2010. If accepted, this program would allow the Authority to act as a delegated lender on behalf of the DOE for renewable energy generation projects including wind, solar, geothermal and next generation biofuels. The IFA would be able to offer a combined package of State Moral Obligation credit enhancement tools and DOE loan guarantees under Section 1705 of the American Recovery and Reinvestment Act (ARRA).

Director Meister stated that a draft of the response was sent to the US DOE's consultants for their review. Mr. Lebovits noted at the meeting that the DOE consultant responded that the IFA's

application looked strong and offered a few suggestions for the Authority to incorporate in the final response. Mr. Lebovits added that the IFA also submitted this draft response to IFA's Financial Advisor, Scott Balice, and were awaiting comments.

Agenda Item III (b): "First Mover" Delegated Lender

Director Meister then shared that the IFA has been asked to present a project to the DOE for approval prior to the January 15, 2010 DFO application deadline (See Agenda Item II (a) above) as part of their "First Mover" program. The "first mover" program intends to finance renewable energy projects even prior to the finalization of the Delegated Lender Program described above.

Dr. Herrin asked Director Meister if the DOE or IFA was taking the lead on the "first mover" projects. Director Meister responded that IFA was taking the lead on these projects. The first step would be to receive preliminary approval from the Board for a moral obligation financing that would be part of the larger financing package with DOE.

Agenda Item III (c): EECBG Retrofit Ramp-Up Program

Director Meister informed the Committee that on December 14, 2009 the energy staff jointly submitted an application with DCEO, MEEA, ILARK and others to the DOE's Energy Efficiency Community Block Grant (EECBG) Retrofit Ramp-up Program for up to \$75 million in funds, of which up to \$15 million could be used by IFA for a debt service reserve fund to back revolving loan programs based on IFA's Local Government Program for energy efficiency retrofits in residential, non-profit, industrial, commercial and municipal facilities.

Agenda Item IV (a): Cinespace Movie Studio

Mr. Steven Trout, Vice President, introduced Mr. Mark Angelini, Practice Leader with SB Friedman & Company and financial advisor for the Cinespace Movie Studio Project. Mr. Angelini explained that Cinespace has more than 20 years of experience in the video, film and television production industries in Toronto. Mr. Angelini informed the Committee that Cinespace was currently prepared to make a \$26 million equity investment towards the \$88 million total cost of the project. Mr. Angelini emphasized that any financial commitment made by the IFA would be of the lowest possible risk profile, which would be supported by substantial reserve funds. Mr. Angelini explained that Cinespace hoped to seek preliminary approval from the Board in February.

Director Meister stated that given the magnitude of this project, he was requesting a motion from the Committee to dedicate limited energy staff time and energy to this project. Mr. Goetz made such a motion and Mr. Zeller seconded. The motion passed unanimously.

Agenda Item IV (b): Robbins Power

Mr. Trout informed the Committee that Robbins Power was considered for the "First Mover" program but did not qualify under the guidelines. The project remains in contact with Mr. Trout and he will update the Committee on any new developments.

Agenda Item IV (d): Eagle River Coal

Mr. Trout offered an update on Eagle River Coal. He stated that the Eagle River Coal project had been underway for several months at that point. Mr. Trout explained that he sought to clarify the security that would be offered to securitize the debt, as the owners of this project do not wish to offer personal guarantees. He emphasized that this project would not be applying for Renewable Energy “additional security” Moral Obligation but that the Eagle River Coal Project would be applying for general moral obligation taxable bonds.

Agenda Item IV (c): REG – Blackhawk Biofuels, LLC

Director Meister shared with the Committee that the REG and Blackhawk Biofuels LLC merger had not yet occurred. He further explained that he, Steve Trout and Pam Lenane had recently met with REG and Fifth Third Bank. Director Meister explained that Congress had not extended the Blenders Credit for Biodiesel before the December 31, 2009 expiration and this had impacted plant operations. REG staff indicated to the IFA that REG expects the Blenders Credit to be extended in February or March after Congress returns to session. REG and Blackhawk continue to prepare for the merger but no date has been set. Director Meister shared with the Committee that the Governor’s Office has been informed of these developments. The IFA is very grateful to both the Governor’s Office and the Illinois Department of Agriculture for their assistance in identifying this Federal issue. Together, the State intends to raise awareness of the importance of the Blenders Credit to the Illinois Congressional delegation.

Agenda Item V (a): FutureGen Resolution

Mr. Steve Trout, Vice President, explained that the FutureGen Alliance had asked the IFA for a non-binding resolution of support for FutureGen, a near zero-emission advanced coal power plant that the Alliance hopes to develop in Mattoon with the U.S. DOE. The Alliance currently does not include any energy generators or utilities. The Alliance has advised the State that DOE hopes to make a “go/no-go” decision on the FutureGen project by the end of January. The State of Illinois is in support of this project. This resolution is non-binding for the Authority but expresses the Authority’s support to the U.S. Department of Energy.

Agenda Item V (a): Fees and Costs

Director Meister made a recommendation on behalf of the staff that the fees and costs of the energy initiative be deferred to the Energy Committee’s February meeting. The Committee unanimously agreed.

Agenda Item VI (a): White Oak Energy LLC

Request for the preliminary approval of the issuance of taxable bonds backed by the “additional security” of the moral obligation of the State of Illinois in an amount not to exceed \$51 million. The proceeds of this issuance will be used to finance a portion of the construction of a 150 MW wind farm project, consisting of 100 GE 1.5 MW turbines. This IFA loan amount (not to exceed \$51 MM for the total of Series A and Series B) will be combined with the debt supported by other sources, the equity contributions of the project sponsor and other tax incentive funding, to fund the purchase of the project turbines, construction of the wind farm, the interconnection of the project into the electric power grid and to pay costs of issuance. This project is located in Unincorporated McLean County, Illinois.

Mr. Lebovits explained that this project is the first project to be submitted for consideration pursuant to the IFA's moral obligation support authorization that went into effect 1/1/2010. The project was being presented for preliminary approval with conditions for the DOE First Mover program. Mr. Lebovits added that the developer is very experienced in wind farm operations with 18 operating projects in the United States and several more in Europe. This project stated a desire to close in the first quarter or early second quarter of 2010. The project was evaluated by Illinois State University and ISU affirmed the developer's statements. This project is expected to meet the DOE's requirement of BB or better rating and has already secured a 20-year Power Purchase Agreement (PPA) from a highly rated counter party.

Dr. Herrin made a motion to recommend this project to the full Board for approval. Dr. Zeller seconded that motion. The motion carried unanimously.

Agenda Item VI (b): EM Properties (The Hotel Pere Marquette)

Request for the preliminary approval of the issuance of taxable bonds backed by the "additional security" of the moral obligation of the State of Illinois. The moral obligation financing will finance a portion of the energy efficient upgrades of the 270-room historic Pere Marquette Hotel that will be renovated and converted to a Marriott and a to be constructed 180-room Courtyard. The development is located in downtown Peoria on Main Street two blocks from the Caterpillar world headquarters. The developments adjacent and will be connected to the skywalk to the Peoria Civic Center. Proceeds will be used to acquire the land, rehabilitation of the Pere Marquette Hotel, construction of the 180-room Courtyard Hotel, construct the parking desk, pay costs of issuance and fund capitalized interest and bank fees.

Mr. Bill Claus, Funding Manager, explained that the developer of this project is also the owner. The project includes a \$9.1 million developer fee, but only \$3.5 million in developer equity. The developer has agreed to subordinate up to \$8.1 million in developer fees until the bonds supported by moral obligation are paid in full. Mr. Claus added that he has requested an "as built" appraisal for the developer. Dr. Herrin stated that final approval of this project was not possible without an "as built" study.

Mr. Claus offered to have Mr. Gary Matthews, President of EM Properties and the project developer, attend the Committee of the Whole meeting to be held the following day to answer the questions of the Board. After a short discussion, the Committee agreed to defer this project to the following month, pending Mr. Matthews appearance at the Committee of the Whole Meeting.

Closing Remarks and Adjournment:

Mr. DeNard made a motion to adjourn. Mr. Zeller seconded that motion. The motion carried unanimously. The meeting was adjourned at 2:25 p.m.

Respectfully Submitted,

Kara Nystrom-Boulahanis, Assistant Secretary